

AUDITOR/CONTROLLER-RECORDER COUNTY CLERK



COUNTY OF SAN BERNARDINO

AUDITOR/CONTROLLER • 222 West Hospitality Lane, Fourth Floor
San Bernardino, CA 92415-0018 • (909) 387-8322 • Fax (909) 386-8830

RECORDER • COUNTY CLERK • 222 West Hospitality Lane, First Floor
San Bernardino, CA 92415-0022 • (909) 387-8306 • Fax (909) 386-9050

October 31, 2008

LARRY WALKER
Auditor/Controller-Recorder
County Clerk

ELIZABETH A. STARBUCK, CGFM
Assistant Auditor/Controller-Recorder
Assistant County Clerk

Thomas A. Potter, Director
Regional Parks Department
777 East Rialto Avenue
San Bernardino, CA 92415-0763

SUBJECT: AUDIT OF REGIONAL PARKS DEPARTMENT VENDOR CONTRACTS

Introductory Remarks

As requested by the department, the Internal Audit Section of the Auditor/Controller-Recorder's Office has completed an operational audit on the Regional Parks' Vendor Contracts in compliance with Article V, Section 6 of the San Bernardino County Charter and the Board of Supervisor's Policy Statement on Internal Operational Auditing. Our audit was conducted in accordance with the "Standards for Professional Practice of Internal Auditing" published by the Institute of Internal Auditors.

Background

San Bernardino County Regional Parks provide stocked fishing lakes, camping for individuals and groups, picnic areas, swim lagoons, water slides, hiking, and playing fields for the communities. The parks include Calico, Moabi, Prado, Cucamonga-Guasti, Lake Gregory, Glen Helen, Mojave River Forks, Yucaipa, and Mojave Narrows. Within each Parks there are concessioners that provide some additional activities and attractions (restaurant, horseback riding, golf, shooting, off-highway vehicle activities, boating, and other recreational opportunities) for the parks. These concessioners have Board approved contracts with the County that include terms and conditions for revenues and operations. The Parks administration monitors the collection of the Concessioner Fees and requirements of the contracts.

Scope of the Audit

The audit was performed in accordance with an agreement between the Regional Parks Department and the Auditor/Controller-Recorder. Our objectives of the audit were to verify that the Parks Department is receiving the appropriate fees as stipulated in the vendor contracts, maintains adequate records of the vendor's proof of insurance as stipulated in the contract, and to test the Department's internal tracking system. In addition, assist the department in streamlining their processes to ensure accurate reporting and tracking of revenues.

We reviewed payments made by vendors for the period of July 1, 2006 through June 30, 2007 to determine if the nature of the activity was considered to be appropriate, had sufficient back up and had been reconciled to the County's Financial Accounting System (FAS). We also reviewed the contracts and insurance requirements for the period of July 1, 2006 through June 30, 2007 to determine if they were current.

The audit work performed would not necessarily disclose all material weaknesses in the system of internal controls.

Overall Conclusion

We identified organizational, procedural, and accounting changes which will strengthen the process of receiving and tracking of vendor payments. Specifically, we recommend a standard form for vendors to report payments, combining all vendor payments for rents and concessions into one tracking workbook for easier reconciliation and improving department policies and procedures. The results of our audit are presented in the Current Findings and Recommendations section of the report.

A draft report was sent to the Regional Parks Department August 12, 2008 and was discussed at the Exit Conference on September 09, 2008. Regional Parks Department responses to our recommendations are included in this report.

CURRENT FINDINGS AND RECOMMENDATIONS

Audit Finding #1: Vendor payments lack supporting documentation.

The parks administration should require vendors to provide supporting documentation of their gross revenue. Providing supporting documentation for payments collected also provides an audit trail, which can be used for reconciling payments to deposits made. We found five exceptions where revenue reports were not available or there was no back-up documentation for the revenue report or the Cash Receipts deposited (CR-D) through the County's consolidated bank account. The Parks administration does not have policies and procedures in place to verify the amounts received are correct. By not requiring supporting documentation it is not possible to determine if the correct amount due to the County was collected.

Recommendations:

We recommend that management create policies and procedures that require the vendors to submit supporting documentation of their revenue with each payment received. (See Attachment A - the recommended standard form for "Summary of Payment.")

Management's Response:

Regional Parks Administration does not concur with the finding in reference to supporting documentation of vendor payments. Parks administration does requires vendors to complete and submit a standard Concession Rental Report (see Attachment C) which exceeds the data requested in the Summary of Payment form recommended by ACR. The Concession Rental Report is required according to each lease along with the monthly payment. Regional Parks does concur with the need to create policies and procedures for obtaining supporting documentation of payments. As long as staffing permits Regional Parks intends to have such procedures developed and in place within fiscal year 2009-2010.

Auditor's Response:

As noted in the finding above, there were five exceptions where revenue reports were not available or there was no back-up documentation for the revenue report or the Cash Receipts deposited (CR-D) through the County's consolidated bank account. If the department is receiving and reviewing the form in Attachment C with each payment, then the Department's actions will correct the deficiencies noted in the finding.

Audit Finding #2: The revenue records are not reconciled to FAS.

Parks administration does not reconcile their revenue records to FAS. We found twelve exceptions out of twelve items tested where the Parks Department did not reconcile to FAS. Parks administration does not reconcile the individual parks revenue reports to one tracking spreadsheet. They do not consolidate the rents, concessions and miscellaneous items in one spreadsheet. Parks does not track miscellaneous sales; therefore they are unable to reconcile to FAS. By not reconciling their revenue records to FAS, errors will not be detected.

Recommendations:

We recommend management reconcile each parks Revenue Report to one consolidating the monthly rents, concessions and miscellaneous payments spreadsheet for tracking purposes and reconcile to FAS. (See Attachment B - the recommended consolidation of rents, concessions, and miscellaneous payments spreadsheets in Excel format – Totals sheets and park sheets, one example provided four sheets per park).

Management's Response:

Regional Parks concurs with the finding regarding the need to reconcile revenue records to FAS and will work to develop policies and procedures to that effect. As long as staffing permits Regional Parks intends to have such procedures developed and in place within fiscal year 2009-2010. Regional Parks does not concur with the finding regarding the non-tracking of rents, concessions, and miscellaneous payments. Parks

is currently tracking rents and concessions in separate spreadsheets, and will ensure the same for miscellaneous payments. If this method is confirmed to be out of compliance, all data can be recreated on ACR's recommended consolidated worksheet.

Auditor's Response:

If the department creates a method to reconcile the Rents and Concessions account to the FAS balance monthly using separate spreadsheets, the Department's actions will correct the deficiencies noted in the finding.

Audit Finding #3: The Parks management of contracts and insurance requirements needs to be improved.

The Parks administration should periodically verify the vendor contracts and insurance requirements are not out of date. The contracts are kept on file at Parks administration to verify compliance with the agreement and two of the contracts tested were expired. The insurance requirements are tracked by Periculum and at this time many vendors are not in compliance. During testing we found three insurance certificates had expired. The Parks administration does not have current policies and procedures in place that requires the verification of the contracts and insurance requirements are current. By not tracking contracts accurately the department could be paid an amount less than required and by not tracking insurance requirements accurately they could be placing the county in unnecessary potential liability.

Recommendations:

We recommend that management update their policies and procedures to verify the contracts and insurance requirements are current at least quarterly.

Management's Response:

Regional Parks concurs with this finding and is adding a Staff Analyst II to assist with the review of concession agreements for insurance compliance. As long as staffing permits Regional Parks intends to have such procedures developed and in place within fiscal year 2009-2010. Risk management is working to refine the activities of Periculum Services Group to better inform the affected agency of non-compliance and to train personnel in its proper use.

Auditor's Response:

The Department's actions will correct the deficiencies noted in the finding.

Audit Finding #4: **Policies and procedures over the vendor contracts and payments need to be improved.**

Parks administration should have policies and procedures in place to: process vendor payments, audit vendor contracts and audit vendor payments. The Parks administration has out of date policies and procedures for processing vendor payments, and does not have policies and procedures to audit vendor contracts and payments. If the department does not have current policies and procedures, payments could be improperly recorded, lost or misappropriated.

Recommendations:

We recommend that management update their current policies and procedures and create new policies and procedures for all steps within the vendor contract process.

Management's Response:

Regional Parks concurs with the finding and will review and update its existing policies and procedures for processing vendor payments, as well as develop and implement policies and procedures to audit vendor contracts and payments. As long as staffing permits Regional Parks intends to have such procedures developed and in place within fiscal year 2009-2010.

Auditor's Response:

The Department's actions will correct the deficiencies noted in the finding.

We would like to express our appreciation to your staff for their support and cooperation during the audit of vendor contracts.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

By: _____
Howard M. Ochi, CPA
Chief Deputy Auditor

Quarterly copies to:

County Administrative Officer
Board of Supervisors (5)
Grand Jury (2)

Audit File (3)

Date Report Distributed: 11/5/08

Summary of Payment

(To be included with all payments posting to rents and concessions)

CONCESSIONER:

(A) Flat Rate per contract:	_____		
(B) Total Adjusted Gross Income:	_____		
		%	\$
(C.) Percentage of (B) per contract:	_____		\$ -
(D) Percentage for Trust per contract:	_____		\$ -
Heigher of (A) or (D) in \$:			\$ -
<u>TOTAL DUE FROM CONCESSIONER:</u>			<u>\$ -</u>

RENTER:

(A) Flat Rate per contract: _____

OTHER MISCELLANEOUS PAYMENT:

Description of payment (include supporting documentation of percentages or other important information):

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
<u>TOTAL OTHER MISCELLANEOUS PAYMENT:</u>	<u>\$ -</u>

Instructions for Using this Work Book

Objective: To record and verify all payments posted to the Rents and Concessions account in FAS (8525)

Each park has four tabs for recording items posted to FAS acct # 8525
(concession payments, vacant concessions, rent, and other miscellaneous rent items)

Concessions

1. When a new concessioner enters contract with the parks department enter their contact and agreement information into the top portion of the concession sheet for that park. (See example below).

1	XYZ Company	Current Information			
1	55555 Wind Pass	Terms:	\$250.00 or 8.5% of gross		
2	Barstow, CA 92311	Date:	2/1/1999	1/31/2004	Month to month 4/26/04
3	07-RP-XX	Late fees:	\$50.00+ .05%/day		
4	(555)555-5555 cell				

2. As payments are received by the department they should be recorded in the section for that concessioner and the month of the payment. [in the event of advance payment (one payment for multiple months) enter the same receipt number for all months it applies to and only the portion of the payment that applies to each month].

(Note: There are formulas entered to automatically fill the totals to the top of each sheet and then to the totals sheet.)

3. Around the 15th of each month view each concession sheet to verify each payment has been made.
4. If there are special payments that need further explanation, enter that information in the notes section for that concessioner.

Vacant Concessions

1. When a contract ends enter the information for the concessioner on the Vacant tab for the corresponding park.

Rents

1. When a new renter enters contract with the parks department enter their contact and agreement information into the top portion of the rent sheet for that park. (See example below).

1	John Doe	Lease:	\$275 per month
---	----------	--------	-----------------

2. As payments are received by the department they should be recorded in the section for that renter and the month of the payment. [in the event of advance payment (one payment for multiple months) enter the same receipt number for all months it applies to and only the portion of the payment that applies to each month].

(Note: There are formulas entered to automatically fill the totals to the top of each sheet and then to the totals sheet.)

3. Around the 15th of each month view each rent sheet to verify each payment has been made.
4. If there are special payments that need further explanation, enter that information in the notes section for that renter.

Miscellaneous

(Note: This section is for any payment that is made to the park that posts to account 8525 and is not included in any of the above sections).

1. Enter the miscellaneous item in the section for the month of the payment and include a description of the reason for the income..

(Note: There are formulas entered to automatically fill the totals to the top of each sheet and then to the totals sheet.)

Reconcile to FAS

1. Run a FAS query showing Current Fiscal Year. Account Type 31, Fund AAA, Dept CCP, and Account 8525 and enter the total on the Totals tab and explain any difference.
2. Verify all differences have been corrected this month. If there are still outstanding items attempt to resolve them.

TOTAL FOR ALL CONCESSIONS

	Vendor adjusted gross income for month Reported by vendor	Total amount paid per receipt Enter Payment Received	Lease Pmt Amount	Trust Pmt Amount	utilities	Sum of Lease, Trust and Utilities Amounts	Difference of pmt received and calculated sum
Balance	\$ -	\$ -	\$ -	\$ -	-	\$ -	-
January	-	-	-	-	-	-	-
February	-	-	-	-	-	-	-
March	-	-	-	-	-	-	-
April	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-
September	-	-	-	-	-	-	-
October	-	-	-	-	-	-	-
November	-	-	-	-	-	-	-
December	-	-	-	-	-	-	-
	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -

TOTAL FOR ALL MONTHLY RENT

Month	Total amount paid per receipt	Total To Date
January	\$ -	\$ -
February	-	-
March	-	-
April	-	-
May	-	-
June	-	-
July	-	-
August	-	-
September	-	-
October	-	-
November	-	-
December	-	-
ANNUAL TOTALS:	\$ -	\$ -

TOTAL FOR ALL MISC ITEMS

Month	Total amount paid per receipt
January	\$ -
February	-
March	-
April	-
May	-
June	-
July	-
August	-
September	-
October	-
November	-
December	-
ANNUAL TOTALS:	\$ -

				Vendor adjusted gross income for month Reported by vendor	Total amount paid per receipt Enter Payment Received	Lease Pmt Amount	Trust Pmt Amount	utilities	Sum of Lease, Trust and Utilities Amounts	Difference of pmt received and calculated sum
				\$	\$	\$	\$	\$	\$	\$
Balance										
January										
February										
March										
April										
May										
June										
July										
August										
September										
October										
November										
December				\$	\$	\$	\$	\$	\$	\$

S:\Regional Parks\2007 Vendor Contracts\Example Forms\Rents & Concessions.xls

XYZ Equestrian Rental
 Ms. XYZ
 P.O. BOX 999999
 VICTORVILLE, CA. 92392
 contract# 355-355-5555

Terms: 10% or \$500.00
 Date: 10/3/2003
 Late fees: 25+ .05%

9/30/2006

XX-XXXX-XXX

	Date on payment receipt	County receipt #	Vendor adjusted gross income for month Reported by vendor	Total amount paid per receipt Entire Payment Received	Lease Print Amount See Terms Above	Trust Print Amount	utilities	Sum of Lease, Trust and Utilities Amounts	Difference of print received and calculated sum	Due Date	Late Fee Due (Yes or No)	days late	Late fee owed	Late fee paid
Balance					\$	\$				2/15/2007	NO	-39128		
January										3/15/2007	NO	-39156		
February										4/15/2007	NO	-39187		
March										5/15/2007	NO	-39217		
April										6/15/2007	NO	-39248		
May										7/15/2007	NO	-39278		
June										8/15/2007	NO	-39309		
July										9/15/2007	NO	-39340		
August										10/15/2007	NO	-39370		
September										11/15/2007	NO	-39401		
October										12/15/2007	NO	-39431		
November										1/15/2008	NO	-39462		
December														
			\$	\$	\$	\$	\$	\$	\$					

Notes:

TOTAL FOR CONCESSIONS, RENT AND MISCELLANEOUS RENTAL ITEMS
(THESE TOTALS SHOULD TIE TO FAS)

Month	Total amount paid per receipt	Trust Account Fo	FAS Balance (Query FAS for the Current Fiscal Year, Account Type 31, Fund AAA, Dept CCP, and	Difference	Explanation:
January	\$ -			\$ -	
February	-			-	
March	-			-	
April	-			-	
May	-			-	
June	-			-	
July	-			-	
August	-			-	
September	-			-	
October	-			-	
November	-			-	
December	-			-	
ANNUAL TOTALS:	\$ -			\$ -	

Explanation of Differences:

TOTAL FOR MOJAVE NARROWS - VACANT
NO PAYMENTS

ABC EQUIPMENT	Terms:	1.00/PER YARD OF MATERIAL	
Mr. ABC	Date:	10/17/2002	10/16/2002
5555 ABC St	Late fees:	0	
VICTORVILLE, CA. 92392			
XX-XXXX-XXX AGREEMENT			
555-555-5555			

Archery Range	Terms:	150.00	
vacant	Date:	3/1/1998	2/29/2000
vacant	Late fees:		
vacant			
contract#			

TOTAL MOJAVE NARROWS

Month			Total amount paid per receipt			Total To Date
January			\$ -			\$ -
February			-			-
March			-			-
April			-			-
May			-			-
June			-			-
July			-			-
August			-			-
September			-			-
October			-			-
November			-			-
December			-			-
ANNUAL TOTALS:			\$ -			\$ -
Notes:						

Renter Name - Vacant

Lease: \$XXX per month

Month	Date on payment receipt	County receipt #	Total amount paid per receipt	Due Date	Late Fee Due (Yes or No)	Total To Date
January				02/15/08	No	\$ -
February				03/15/08	No	-
March				04/15/08	No	-
April				05/15/08	No	-
May				06/15/08	No	-
June				07/15/08	No	-
July				08/15/08	No	-
August				09/15/08	No	-
September				10/15/08	No	-
October				11/15/08	No	-
November				12/15/08	No	-
December				01/15/09	No	-
ANNUAL TOTALS:			\$ -			\$ -
Notes:						

Renter Name - Vacant

Lease: \$XXX per month

Month	Date on payment receipt	County receipt #	Total amount paid per receipt	Due Date	Late Fee Due (Yes or No)	Total To Date
January				02/15/08	No	\$ -
February				03/15/08	No	-
March				04/15/08	No	-
April				05/15/08	No	-
May				06/15/08	No	-
June				07/15/08	No	-
July				08/15/08	No	-
August				09/15/08	No	-
September				10/15/08	No	-
October				11/15/08	No	-
November				12/15/08	No	-
December				01/15/09	No	-
ANNUAL TOTALS:			\$ -			\$ -
Notes:						

TOTAL MISC ITEMS FOR MOJAVE NARROWS

Month				Total amount paid per receipt	
January				\$ -	
February				-	
March				-	
April				-	
May				-	
June				-	
July				-	
August				-	
September				-	
October				-	
November				-	
December				-	
ANNUAL TOTALS:				\$ -	

Miscellaneous Rental and Other Items

[illegible]

Example of the Revenue Report Requested by the Parks Department

Cucamonga - Guasti Regional Park
Concession Rental Report

Day	Gross Receipts
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	
26	
27	
28	
29	
30	
EXTRA INFORMATION	
TOTAL	

Month of: _____

XYZ Company
 10230 Dunn Ct.
 Riverside, CA 92503

Total gross receipts: _____

Less Sales tax: _____

Adjusted Gross Receipt _____

Lease Fee _____

(Greater of 5% of Gross or \$500.00)

I declare, under penalty of perjury that the information contained on this form is true and correct.

Signed: _____

Position _____

Date: _____

Check #: _____

This monthly report is to be submitted to Regional Parks Department no later than the 10th day of the following month.

A copy of sales tax returns or statement showing tax paid to federal, state, or municipality submitted quarterly.